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SUMMARY

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SOUTHEAST ASIA

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1.	New Philippine party may eventually support Magsaysay:				
25X1A	Senator Cabili, a prominent Romulo backer, informed American embassy officers that the new Democratic Party will join the Magsaysay forces a month or so before the November elections if it appears that Romulo has no chance of winning.				
	Cabili added that he had not discussed this possibility with Romulo. Comment: There have been several reports that the Nacionalista Party is seeking the support of Romulo's new party				
	for Magsaysay. The American embassy believes that Romulo has little chance of success and that practical politicians supporting him now would not hesitate to abandon him later.				
	NEAR EAST - AFRICA				
2.	2. Growing threat to Israeli-Jordanian peace:				
25X1A	Consul General Tyler in Jerusalem believes the West probably cannot act quickly enough to prevent Israel from taking serious retaliatory action for "organized Arab military" attacks on three Israeli villages on 26 May.				
L	Tyler says that this situation, seen against the background of Jordanian threats and the possibility of imminent Israeli occupation of Jordanian territory, constitutes a grave threat to peace.				
	Comment: Latest reports reaching the American embassy at Tel Aviv state that two companies of the 54th Battalion, one of Israel's best-trained units, have been moved to Jerusalem. The embassy comments that previously there has been trouble wherever this battalion has moved.				
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3. Comment on Egyptian emphasis on American role in Suez dispute:

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American reports from Cairo on the eve of Secretary Dulles' departure from the Near East, re-emphasize the considerable reliance placed by the Nagib regime on the possibility of an American-devised solution in the near future. Despite this hope, the issue has been sharply and publicly drawn, and both London and Cairo now have exceedingly limited political maneuverability.

Although a temporary inactivity and surface calm in Egypt has been imposed by the regime, open preparation for armed conflict continues. Intensified anti-Western repercussions and a flare-up of violence may follow Ramadan, the Moslem month of fasting, which ends in mid-June, if no compromise acceptable to Egypt has been offered by that time.

EASTERN EUROPE

4. Rumania fulfills commitment to Austria with Soviet grain:

Analysis of grain shipped to Austria by Rumania this spring revealed that it was from the USSR, according to an Austrian official. He stated that the Austro-Rumanian trade agreement provides for Rumanian export of 50,000 metric tons of wheat, and that Rumania has already offered the full quantity for shipment.

Comment: This is the first indication that the Soviet Union has provided the Satellites with grain for re-export in order to maintain their imports of industrial equipment. It explains how Rumania can export grain in spite of the crop losses. Heretofore Soviet help has been limited to alleviation of internal fodder and seed shortages in various Satellite countries.

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WESTERN EUROPE

5. Comment on abolition of Soviet Control Commission in Germany:

The closing down of the Soviet Control Commission in East Germany and the creation of the new post of Soviet Commissioner for Germany implies no diminution of Russian control. In view of reliable reports of Soviet dissatisfaction with East German performance, an increase in Soviet supervision through the separation of military and political functions may well be intended.

The move may indicate a Soviet intention, under the guise of a new unification drive, to confirm the split of Germany by carrying forward the socialization of the Soviet zone. East Germany is currently trying to rehabilitate the National Front grouping of all political parties, and is emphasizing the unity campaign as well as "patriotic" support for the German Democratic Republic.

By selecting a civilian, Vladimir Semenov, as commissioner, the USSR is outwardly bolstering the prestige of the East German regime. It may also be putting itself in a more favorable position for four-power negotiations.

Abolition of the Control Commission will not influence many West Germans to believe that the prospects for unification are improved.

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